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SUBJECT: EL SALVADOR: SCENESETTER FOR VISITS OF U/S KAREN
HUGHES AND WHA A/S TOM SHANNON

¶1. (SBU) Embassy San Salvador welcomes and looks forward to your visit to El Salvador March 17 to 18. You are arriving in country following President Saca's very successful visit with the President on February 24. The announcements during the visit that CAFTA-DR would enter into force for El Salvador on March 1, and that the President is extending TPS benefits for Salvadorans for an additional year, are seen here, both by President Saca and most Salvadorans, as proof of the close relationship between the two countries and between the two administrations. Your visit offers further opportunity to reinforce this valid perception.

El Salvador-U.S. Relations

¶2. (SBU) El Salvador is one of our strongest allies in the Western Hemisphere, and remains the only other Western Hemisphere nation with soldiers serving alongside U.S. troops with coalition forces in Iraq. The U.S. operates a Cooperative Security Location (CSL) that is collocated with a Salvadoran Air Force base at El Salvador's principal international airport at Comalapa. Last November, the Salvadoran National Assembly approved the establishment of the International Law Enforcement Academy (ILEA) for the Western Hemisphere, a joint USG-GOES endeavor. The FBI will soon open an office at the Embassy for the purpose of exchanging intelligence with the GOES on street gang organizations. Embassy officers have unfettered access to the highest echelons of GOES officials.

Domestic Political Overview

¶3. (SBU) President Elias Antonio "Tony" Saca of the governing Nationalist Republican Alliance (ARENA) party assumed office June 1, 2004 after winning a hotly-contested presidential race. President Saca's ARENA party holds only 29 of 84 seats in the Legislative Assembly, but, through alliances with smaller parties, regularly passes legislation requiring a simple majority. ARENA's major political opposition is the leftist Farabundo Marti National Liberation Front (FMLN), which has been weakened recently by internal struggles and defections. Human rights problems are minimal. The Embassy continues to encourage the GOES to fully enforce and enhance labor protections. Attention is now focused on March 12 nationwide municipal and Legislative Assembly elections. Saca is hoping that his ARENA party and other democratic parties will win enough seats in the National Assembly to overcome the FMLN's ability to block key reform legislation.

Domestic Economic Overview

¶4. (SBU) El Salvador's stable economy, the result of a broad reform agenda implemented by four successive ARENA governments, has earned El Salvador an investment-grade debt rating from Moody's, and provided a measure of economic predictability. Nonetheless, the economy has been growing at a disappointing rate of about two percent per year since 1999, despite its excellent macroeconomic fundamentals. President Saca's highest priorities are reinvigorating El Salvador's economy, creating jobs, and improving the nation's infrastructure. Increasing violence is exacting an economic cost and creates difficulty for investment; Saca will have to bring this under control as part of his economic strategy. Roughly 40 percent of the population still lives in poverty. El Salvador ratified CAFTA in December 2004, the first country to do so; El Salvador will also be the first to implement CAFTA with the United States on March 1, 2006. Saca is relying on increased trade to help jump-start the nation's sluggish economic growth. El Salvador is one of two countries to have qualified as a lower-middle-income nation for a Millennium Challenge Account compact; it has proposed a new highway to create sustainable economic growth in the heretofore isolated northern departments by improving access to national and regional markets.

El Salvador's Foreign Policy

¶5. (SBU) El Salvador's postwar ARENA governments have been reliable in their support for U.S. positions in international fora such as the UN, including on issues such as UN reform, human rights abuses in Cuba, and the Middle East peace process. The GOES has been very helpful in regional fora in

moderating neighboring countries' positions on the deportations issue and immigration reform. El Salvador has on occasion pursued a somewhat more independent course, but has still proven dependable on key matters of bilateral importance. El Salvador has recently broadened its foreign relations to include moderate Arab states such as Morocco and Qatar, and is actively seeking a seat on the UN Economic and Social Council (ECOSOC).

Terrorism and International Crime

¶6. (SBU) El Salvador has been a consistently strong supporter of the United States in the fight against terrorism and international organized crime. El Salvador's geographic position makes it vulnerable to trafficking in drugs, people, and guns to or from the United States. Drug trafficking has received significant GOES attention and cooperation; El Salvador hosts the Cooperative Security Location (CSL) at Comalapa Airport. This is one of three CSL's in the region, and since 2001 has contributed to the seizure or disruption of about 210 metric tons of cocaine. Trafficking in persons, smuggling of aliens, and gunrunning remain problems due to the porous borders in Central America. The government passed new anti-trafficking legislation last year and is conducting raids against those suspected of exploiting children. The Border Police unit and Immigration Service are working closely with the Department of Homeland Security and the Embassy to improve coordination with the U.S. and their ability to limit the illegal movement of people through El Salvador. Violent street gangs are a serious problem. Law enforcement efforts against the gangs have been hampered by the government's current inability to protect witnesses and an ineffective judicial system.

Civilian-Military Relations

¶7. (U) The Armed Forces of El Salvador (ESAF) are capable, professional, and subordinate to civilian authority.

The military consistently receives high approval ratings in public opinion polls, reflecting its dramatic transformation since the 1980-1992 war. The sixth contingent of a 380-person "Cuscatlan Battalion" task force that rotates every six months departed for Iraq in February; nearly 2,300 Salvadoran soldiers have now served with coalition forces in Iraq. The Battalion has suffered two fatal casualties in Iraq, one combat death in April 4, 2004 and one non-combat-related death in June 27, 2005. The ESAF has performed admirably in humanitarian and reconstruction efforts in support of the Iraqi people.

Migration Issues

18. (U) As many as 2.5 million Salvadorans live in the United States, most illegally. Since the 2001 earthquakes, between 250,000-280,000 Salvadorans have benefited from Temporary Protected Status (TPS), and have been able to live and work legally in the United States. The announcement during Saca's February 24 visit to Washington of a further extension of TPS is of paramount importance to the Saca Administration; remittances from Salvadorans living abroad make up approximately 16 percent of the GDP, and are an important source of income for many Salvadoran families. Public opinion polls also show that 7 out of 10 Salvadorans would immigrate to the United States if given the chance. The GOES is focused on obtaining permanent status for TPS recipients, claiming it cannot absorb that number of returnees. The GOES has complained about an alleged lack of intelligence sharing between U.S. law enforcement agencies and the GOES relative to criminal deportees. Earlier this year, the GOES made a proposal to DHS to receive considerably larger numbers of Salvadoran deportees, while requesting some USG assistance to help absorb the impact of the deportations. The GOES is awaiting DHS response and hopes to continue with bilateral talks on accelerated deportations.

Barclay